

Financial Services Compensation Scheme Levy Calculation Notes

2015/16 Rates

HOW IS THE FSCS LEVY CALCULATED?

A. Overview

The FSCS levy is made up of two elements:

- Management expenses; and
- Compensation costs.

Management expenses levy – covers the costs of running the compensation scheme. The management expenses levy is made up of **base costs** (operating costs not directly related to the payment of compensation) and **specific costs** (operating costs that are directly related to the payment of compensation arising from valid claims).

The management expenses levy limit for 2015/16 was consulted on in the FCA's [Consultation Paper CP15/2](#) (February 2014).

Compensation costs levy – provides the funds to make valid compensation payments. All participant firms are required to contribute to **base costs**. **Specific costs** and **compensation costs** are not payable by FSCS exempt firms or newly authorised firms in their first authorised year.

Following legal cutover in April 2013, firms who are dual regulated will pay FSCS Base Costs towards both their FCA and PRA fee-blocks.

For further details of the FSCS levy for 2015/16, please refer to the [FSCS website](#).

B. Exemptions

Firms that have submitted valid exemptions (under *FEES 6.2.1R*), are excluded from specific and compensation costs, but are still liable for their share of base cost levies.

C. FSCS Levy - calculation

To calculate the FSCS Base Costs levy we need to know the Total Base Costs the FSCS require to raise in 2015/16 and the total Regulatory Costs of the FSCS participants for each contribution group within both FCA and PRA. FCA contribution groups start with A whilst PRA contributions groups start with P.

The table below lists the information used for the 2015/16 rates.

Contribution Group	Total Regulatory Cost	FSCS Base Costs to be Levied
AP00	17,052,254	430,637
A000	18,430,025	492,361
A001	66,194,804	1,749,134
A002	17,341,034	445,880
A003	24,739,184	641,950
A004	41,603,529	1,081,817
A006	332,455	8,009
A007	44,407,876	1,198,154
A009	18,728,431	320,846
A010	47,897,064	1,323,723
A013	74,725,198	1,889,987
A014	13,306,928	322,159
A018	16,455,715	441,681
A019	28,121,318	733,090
A021	17,021,576	347,664
PA01	156,888,400	7,974,572
PA03	30,332,819	1,559,211
PA04	38,680,840	1,944,791
PA06	1,895,575	94,334
Total		23,000,000

To calculate the specific costs levy and compensation costs levy we also need to know the total FSCS tariff data for each class and the amounts FSCS are to raise for each class. The table below details these figures for 2015/16.

Class – Tariff Base	Tariff Base	FSCS Specific Costs	FSCS Class Compensation Costs
SA01-PD	1,036,354,924,286	8,801,279	4,198,721
SB01-RNPI	43,622,267,751	3,959,825	42,540,175
SB01-EGTL	75,268,687,270	1,319,942	14,180,058
SB02-AEI	8,859,359,074	4,846,933	-4,846,933
SC01-RNPI	80,875,004,232	247,409	-247,409
SC01-EMR	1,039,359,177,896	82,470	-82,470
SC02-AEI	3,105,729,948	8,344,712	91,655,288
SD01-AEI	4,255,704,189	317,181	-317,181
SD02-AEI	4,132,232,759	14,773,770	101,226,230
SE02-AEI	1,157,611,115	681,457	4,318,543
Total		43,374,978	252,625,022

Sample calculation

Firm X is solo regulated by the FCA and is allocated to the A013 contribution group and in FSCS classes SC02 and SD02.

At the valuation date of 31 December 2014 it had annual income of £480,000 in respect of FCA fee-block A013, £288,000 of eligible annual income in respect of FSCS class SC02 (Life & Pensions intermediation) and £192,000 of eligible annual income in respect of FSCS class SD02 (Investment intermediation).

Based on the annual income of £480,000 the A013 FCA regulatory cost (the FCA charge after discounts but before deductions) for 2015/16 would be £1,197.00

The FCA regulatory cost for the minimum fee (fee-block A000) for 2015/16 is £1,084 and the FCA prudential costs (fee-block AP00) for 2015/16 would be £138.85

Base Costs Levy: Base costs are calculated by reference to the share of a firm's regulatory cost as a proportion of the total regulatory costs (in each contribution group). The calculation is shown below.

A000 Contribution Group			
Base Costs Levy	<u>Firm's A000 FSCS Reg.Cost x A000 Base Costs to be raised</u> Total A000 FSA Regulatory Costs	<u>1,084 x 492,361</u> 18,430,025	£28.96
Total A000 FSCS Base Costs Levy			£28.96

A013 Contribution Group			
Base Costs Levy	<u>Firm's A013 FSCS Reg.Cost x A013 Base Costs to be raised</u> Total A013 FSA Regulatory Costs	<u>1,197 x 1,889,987</u> 74,725,198	£30.28
Total A013 FSCS Base Costs Levy			£30.28

AP00 Contribution Group			
Base Costs Levy	<u>Firm's AP00 FSCS Reg.Cost x AP00 Base Costs to be raised</u> Total A013 FSA Regulatory Costs	<u>138.85 x 430,637</u> 17,052,254	£3.51
Total AP00 FSCS Base Costs Levy			£3.51

Compensation and Specific Costs Levy: The Specific and Compensation costs are calculated by reference to the share of the firm's tariff data as a proportion of the total FSCS tariff data (in each FSCS class). These calculations are shown below.

SC02 Class : Life & Pensions intermediation			
Specific Costs Levy	<u>Firm's SC02 tariff data x Total FSCS SC02 Specific Cost</u> Total SC02 fee tariff base	<u>288,000 x 8,344,712</u> 3,105,729,948	£773.82
Compensation Costs Levy	<u>Firm's SC02 tariff data x Total FSCS SC02 Compensation Cost</u> Total SC02 fee tariff base	<u>288,000 x 91,655,288</u> 3,105,729,948	£8,499.36
Total SC02 FSCS Levy			£9,273.18

SD02 Class : Investment mediation			
Specific Costs Levy	<u>Firm's SD02 tariff data x Total FSCS SD02 Specific Cost</u> Total SD02 fee tariff base	<u>192,000 x 14,773,770</u> 4,132,232,759	£686.45
Compensation Costs Levy	<u>Firm's SD02 tariff data x Total FSCS SD02 Compensation Cost</u> Total SD02 fee tariff base	<u>192,000 x 101,226,230</u> 4,132,232,759	£4,703.37
Total SD02 FSCS Levy			£5,389.82

Therefore the FSCS Levy total for Firm X during 2015/16 will be:

FSCS Levy Type	Value
A000 Levy (Base Costs)	£28.96
A013 Levy (Base Costs)	£30.28
AP00 Levy (Base Costs)	£3.51
SC02 Levy (Specific & Compensation Costs)	£9,273.18
SD02 Levy(Specific & Compensation Costs)	£5,389.82
Net FSCS Levy Total	£14,725.75